

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Division of Public Utilities' Compliance Audit of South Central Utah Telephone Association, Inc.)
DOCKET NO. 06-052-01)
REPORT AND ORDER TERMINATING)
STATE USF PAYMENTS)

ISSUED: May 3, 2006

SYNOPSIS

South Central Utah Telephone Association, Inc. ("South Central") having requested termination of all State universal support fund ("USF") payments to South Central effective April 1, 2006, and the Division of Public Utilities having recommended said termination, the Commission terminated the State USF payments as requested.

By The Commission:

PROCEDURAL HISTORY, DISCUSSION, AND FINDINGS

On February 22, 2006, South Central Utah Telephone Association, Inc. ("South Central") filed a Motion for Protective Order requesting the Commission issue a Protective Order applicable to a State Universal Service Support Fund ("USF") compliance audit initiated by the Division of Public Utilities ("Division"). The Commission issued said Protective Order on February 24, 2006.

On April 14, 2006, South Central filed a memorandum noting that, based on the results of the Division's compliance audit and South Central's own internal audit of its State USF eligibility, South Central had determined that it no longer qualifies for State USF funding under *Utah Code Ann.* §54-8b-15 and Commission Rule 746-360. South Central therefore requested the Commission terminate all payments of State USF to South Central effective April 1, 2006.

On April 21, 2006, the Division filed a memorandum recommending the Commission stop State USF payments to South Central until a future rate review demonstrates that high cost fund support is necessary. The Division based its recommendation on the results of the aforementioned compliance audit using South Central's results of operations ending December 31, 2005, adjusted to reflect: (1) a substantial reduction in depreciation expense because a large amount of plant in service became fully depreciated at December 31, 2005; (2) a reasonable cost of capital model and return on equity based upon recent Division testimony in other rural telephone ILEC rate cases; and (3) other minor rate making adjustments.

As South Central has requested termination of its State USF payments, and the Division has recommended said termination, the Commission hereby issues the following

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED, that:

- Payments from the State Universal Service Support Fund to South Central Utah Telephone Association, Inc., shall be, and are, terminated effective April 1, 2006.
- Pursuant to *Utah Code Annotated* §§ 63-46b-12 and 54-7-15, agency review or rehearing of this order may be obtained by filing a request for review or rehearing with the Commission within 30 days after the issuance of the order. Responses to a request for agency review or rehearing must be filed within 15 days of the filing of the request for review or rehearing. If the Commission fails to grant a request for review or rehearing within 20 days after the filing of a request for review or rehearing, it is deemed denied. Judicial review of the Commission's final agency action may be obtained by filing a Petition for Review with the Utah Supreme Court within 30 days after final agency action. Any Petition for Review must comply

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with the requirements of *Utah Code Annotated* §§ 63-46b-14, 63-46b-16 and the Utah Rules of Appellate Procedure.

DATED at Salt Lake City, Utah, this 3rd day of May, 2006.

/s/ Ric Campbell, Chairman

/s/ Ted Boyer, Commissioner

/s/ Ron Allen, Commissioner

Attest:

/s/ Julie Orchard
Commission Secretary
G#48771